

MR. GARCES: Thank you. Good afternoon.

Thank you for allowing me the opportunity to talk to you today. I'll present testimony on the impact of the North American Free Trade Agreement on Texas and the Texas economy.

My name is Jorge Garces. I am the Mexican Border Affairs Manager for the Office of the Secretary of State. Elton Bomer, who was appointed Texas 101st Secretary of State by Governor Bush on January 11, 1999, had a previous engagement and he apologizes for not being here today.

The role of the Office of the Secretary of State in Texas has changed since Governor Bush took office in January, 1994. One of the Governor's first acts after taking office was to issue an executive order giving the Secretary of State the responsibility to be his chief liaison to Mexico on the border region and chief international protocol officer. That is in addition to those constitutional duties such as border registration and elections.

More recently, last July, the Governor gave additional duties to the Secretary of State by naming him the Border Commerce Coordinator whose

responsibilities include examining and monitoring trade issues between the United States, Canada, and Mexico.

NAFTA and the United States -- the North American Free Trade Agreement went into effect on January 1, 1994. Prior to NAFTA, Mexico was already the United States' third largest trading partner, behind Canada and Japan. Total bilateral trade between the United States and Mexico in 1993, the year prior to NAFTA going into effect, was approximately \$81 billion. A year later in 1994, trade between the U.S. and Mexico had increased -- to just a little over \$100 million.

By 1999, Mexico had replaced Japan as the U.S. second largest export market, after Canada, and all because of NAFTA. The final 1998 trade statistics showed that the total bilateral trade between Mexico and the United States more than doubled in the first five years of NAFTA.

What NAFTA has meant for Texas -- NAFTA had an immediate positive impact on Texas. In the six years since NAFTA has been in effect, Texas trade with Mexico and Canada has grown considerably. That growth

can be attributed to NAFTA for the most part. Furthermore, despite declines as a result of the financial crisis in Brazil and lower oil prices in the region, Latin America remains an important market for Texas exports.

As the price of oil gets higher and economies become stronger, the future for increasing Texas exports to Latin America looks bright. Texas exports to Mexico have jumped 80 percent since 1993, the year before NAFTA went into effect. That year, Texas sold Mexico over \$20 billion in goods. By comparison, in 1998, Texas exported 36.3 billion worth of good and services to Mexico, making Texas the nation's largest exporting state to Mexico, accounting for 46 percent of all U.S. shipments to Mexico.

In 1998, Texas ranked sixth among the states in exports to Canada. According to the Texas Public Policy Foundation study on the five-year effect of NAFTA, published in August of last year, Texas experienced the second largest gain in total exports among all 50 states. Texas exports to Mexico and Canada reached record levels under NAFTA. Of the 232 Texas industries that export to Mexico, 24 had double-

digit gains under NAFTA. Of the 31 Texas industries that export to Canada, 27 had gains.

Growth in trade with Mexico and Canada has resulted in the creation of many jobs, and according to the U.S. Department of Commerce calculations, since 1994 almost 200,000 jobs have been created in Texas.

Of course, the benefits derived as a result of NAFTA have also presented Texas with new challenges, and these challenges are in the following areas. We have experienced unprecedented growth in the border communities along the border with Mexico, and the highway infrastructure is falling behind. Border cities have experienced tremendous growth, resulting in overextending resources and challenging their infrastructure. Not only are they in need of expansion of basic services, but they need additional federal funds allocation for highway construction.

We have also experienced some problems in the traffic congestion at the different ports of entry and bridges along the border. Increased commerce has resulted in a larger volume of truck traffic.

According to the U.S. Customs Office, more than 2 million trucks enter the U.S. through south

Texas ports: that's Brownsville, Del Rio, Eagle Pass, Hidalgo, Laredo, Progreso, Rio Grande City, and Roma, more than double the volume of 1993, the year before NAFTA took effect.

Laredo, with two-thirds of the total traffic for the region, ranks as the nation's busiest commercial inland port. El Paso has also experienced significant growth in truck traffic from Mexico.

There are two opinions for solving the problem of traffic congestion on the border. One is to build additional bridges and border crossings to meet demand, and the other one is to stop building new facilities, for there is enough capacity to handle existing and future traffic. Instead what we need to do is improve the efficiency of the current ports of entry by extending hours of operation, opening additional gates, adding personnel, and making changes in the flow of traffic, but for this we need additional funding. The Federal Government needs to allocate additional funding.

There's one other area that I want to mention here, and that's the environment. I know that very competent individuals will follow this panel, and

they're going to be addressing this issue in more detail. I just wanted to mention that the growth along the border has resulted in a lot of strains on the environmental infrastructure. Communities along the border need resources for sewer lines, wastewater treatment plants, and other facilities. They need to provide drinking water and sewer lines for their citizens.

And although I know that the Border Environmental Cooperation Commission (BECC) and the NADBank had done a tremendous job in addressing this particular issue, more resources have to be allocated to address the needs for the communities along the border.

The other issue that I wanted to talk and I'm going to just mention because it's been discussed in detail by Mr. Sheridan, is the displacement of workers. That's something that we're very concerned in Texas and something that needs to be addressed, and I know that the Texas Workforce Commission is doing a very good job at it and is trying to address this particular issue.

So overall, based on the available data, NAFTA has been very good to Texas and to the whole country. However, the border region is bearing the burden of free trade. We feel that since the entire nation benefits, the cost should also be shared. That means the region needs increased federal investment to maintain and improve the highway systems, address environmental infrastructure, as well as provide more funding to modernize and operate existing bridges, and build additional bridges when and where needed.

Once this takes place, anticipated gains to the U.S. economy will greatly exceed the initial investment.

Thank you very much.

COMMISSIONER HILLS: Thank you, Mr. Garces. We're glad to welcome Mr. Onate Laborde.

You were not here when we opened, and we hope that you can make your initial presentation in seven or eight minutes, which accounts for the clock that's sitting in front of me. It turns yellow when you have a minute to sum up.

MR. ONATE LABORDE: All right.

COMMISSIONER HILLS: -- and we look forward to your remarks. The questions will follow after all of panelists have made their presentation.

MR. ONATE LABORDE: My apologies for the delay.

COMMISSIONER HILLS: It's not a problem. You're in perfect time.